

ICC Docket No. 11-0721

**Commonwealth Edison Company's Response to
The People of the State of Illinois ("AG") Data Requests**

AG 5.01 – 5.09

Date Received: December 22, 2011

Date Served: January 4, 2012

REQUEST NO. AG 5.05:

Please provide the balance of Accrued Incentive Pay as of the end of each month of 2010.

RESPONSE:

The 2010 end of month (credit) balance for the current liability for Accrued Incentive Pay is shown in the table below.

2010	Balance
January	(56,800,000)
February	(9,900,000)
March	(12,300,000)
April	(14,400,000)
May	(18,400,000)
June	(21,400,000)
July	(32,100,000)
August	(34,600,000)
September	(38,800,000)
October	(42,900,000)
November	(47,300,000)
December	(57,300,000)

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**Commonwealth Edison Company's Response to
The People of the State of Illinois ("AG") Data Requests
AG 9.01 – 9.10
Date Received: February 7, 2012
Date Served: February 13, 2012**

REQUEST NO. AG 9.04:

Please provide the balance of accrued 401(k) match as of the end of each month of 2010.

RESPONSE:

ComEd assumes this request is in regard to the variable portion of the company 401(k) match, which is discussed on ComEd Ex. 13.0, page 9, lines 176-183 and the subject of the earlier question in this series. The (credit) balances in Other Accrued Expenses for the variable portion of the 401(k) company match are shown here for each month end of 2010:

Jan	-
Feb	(299,744.10)
Mar	(1,302,719.10)
Apr	(1,570,186.53)
May	(2,183,472.27)
Jun	(2,620,461.72)
Jul	(3,050,488.33)
Aug	(3,479,094.80)
Sep	(3,907,907.82)
Oct	(4,334,233.86)
Nov	(5,053,929.61)
Dec	(5,209,040.11)

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**Commonwealth Edison Company's Response to
The People of the State of Illinois ("AG") Data Requests**

AG 2.01 – 2.15

Date Received: November 16, 2011

Date Served: December 1, 2011

REQUEST NO. AG 2.14:

Referring to ComEd Ex. 4.0, page 17 and ComEd WPC-2.2, please describe the circumstances of the three years of anticipated Illinois Electric Distribution Tax (IEDT) credits of \$38,980,000. The response should explain why the three years of the credits are expected and should provide all supporting workpapers and calculations for the credit for each of the three years.

RESPONSE:

In 2010, ComEd revised its accounting practice for recording the Illinois Electric Distribution Tax. The IEDT became effective in 1998 and is a stepped tax based on a set amount per kilowatt hour delivered by each electric utility within Illinois. The tax is also capped on a statewide basis where if the total received by the Illinois Department of Revenue (IDOR) exceeds the statutory amount, the utilities will receive refunds on a pro-rata basis. Every year since inception of the Distribution Tax, ComEd has received a refund back from the IDOR. However, the timing and amount of the refunds have been inconsistent. In general, ComEd will receive a refund approximately 2+ years after the tax was paid (e.g. in the first quarter 2010 ComEd received a refund of \$15.7 million from the 2007 tax year). Prior to 2010 ComEd had recognized the credits for accounting purposes in the year in which they were received. In 2010 ComEd determined that the amount of the credit for the applicable tax year could be reasonably estimated prior to receipt, and that an estimate should be recorded for accounting purposes. As a result of this change, and in addition to recording the 2007 actual credit received in 2010, ComEd made a one-time adjustment to accrue estimated credits for the years 2008, 2009 and 2010 that will be received in future years.

The additional estimated credit accrued in 2010 is summarized below (in 000s):

2008	\$17,400
2009	\$ 7,300
2010	\$14,280
Total	\$38,980

See the attachment labeled as AG 2.14_Attach 1 for detailed calculations of the credit.

ComEd
2008 and 2009 Illinois Distribution Tax Refund Reconciliation
(\$ in millions)

<u>Line</u>	<u>Company</u>	GWh - Delivered	
		2008	2009
1	ComEd	91,870	86,760
2	CILCO	6,492	5,728
3	CIPS	12,413	11,840
4	IP	18,231	17,152
5	Interstate	-	-
6	Mid-American	1,965	1,965
7	Mt. Carmel	101	96
8	South Beloit	-	-
9	Union Electric	-	-
	Total	131,071	123,540

<u>Line</u>	<u>Company</u>	Taxes Paid	
		2008	2009
10	ComEd	\$ 121.6	\$ 114.9
11	CILCO	5.9	4.8
12	CIPS	15.9	14.9
13	IP	25.2	23.7
14	Interstate	-	-
15	Mid-American	1.0	1.0
16	Mt. Carmel	0.0	0.0
17	South Beloit	-	-
18	Union Electric	-	-
19	Total	\$ 169.7	\$ 159.4
20	Base Tax	\$ 145.3	\$ 145.3
21	Change in CPI	0.1%	2.7%
22	Tax Cap	\$ 145.4	\$ 149.3
23	Over Collection	\$ 24.2	\$ 10.1

<u>Line</u>	<u>Company</u>	Estimated Refund	
		2008	2009
24	ComEd	\$ 17.4	\$ 7.3
25	CILCO	0.8	0.3
26	CIPS	2.3	0.9
27	IP	3.6	1.5
28	Interstate	-	-
29	Mid-American	0.1	0.1
30	Mt. Carmel	0.0	0.0
31	South Beloit	-	-
32	Union Electric	-	-
33	Total	\$ 24.2	\$ 10.1

GWh Tax Steps	500	1,500	4,000	8,000	15,000	18,000	>18000
Tax Rate	\$ 310	\$ 500	\$ 700	\$ 1,400	\$ 1,800	\$ 1,420	\$ 1,310
Max Tax Step	0.155	0.655	2.405	8.005	20.605	24.865	

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**Commonwealth Edison Company's Response to
Illinois Commerce Commission ("STAFF") Data Requests**

JMO 4.01 – 4.02

Date Received: December 5, 2011

Date Served: December 13, 2011

REQUEST NO. JMO 4.01:

Referring to ComEd's response to JMO 2.02, please specifically identify the accounting rule (generally accepted accounting principles) that changed which triggered the Company to move from cash basis to accrual basis methodology to account for the IEDT credits.

RESPONSE:

ComEd followed the provisions of Statement of Financial Accounting Concepts (CON 6) *Elements of Financial Statements* when determining it was appropriate to record a receivable related to IEDT credits. ComEd did not record the accruals in prior years because they were not probable and estimable at the time. CON6 (paragraph 25) states that "assets are probable future economic benefits obtained or controlled by a particular entity as a result of past transactions or events." CON 6 (footnote 18) also indicates the following: "*Probable* is used with its usual general meaning, rather than in a specific accounting or technical sense (such as that in FASB Statement No. 5, *Accounting for Contingencies*, par. 3), and refers to that which can reasonably be expected or believed on the basis of available evidence or logic but is neither certain nor proved. Its inclusion in the definition is intended to acknowledge that business and other economic activities occur in an environment characterized by uncertainty in which few outcomes are certain."

Prior to 2010, ComEd had been in contact with the Illinois Department of Revenue ("IDOR") in an effort to understand the calculation of the IEDT credits. However, the IDOR did not share this information with ComEd. As such, in order to calculate a reasonable estimate of potential refunds, ComEd performed an analysis using its past refund history, as well as the publicly available information related to IEDT paid by the utilities within Illinois that are subject to IEDT. This analysis, which was completed during the second quarter 2010, was the driver for meeting the criteria for recording an asset under CON 6.

Although the change in internal accounting practice was not triggered by a change in rule, ComEd believes the impact is similar to that of a change in accounting rule. As such it is consistent with the criteria in Section 16-108.5 (c) (4) (F) of the Public Utilities Act that provides for amortization of costs due to changes in accounting rules, or "other similar expenses."

Response to ComEd's
Sixth Set of Data Requests to Staff
Docket No. 11-0721
Response of Staff Witness Knepler

ICC Person Responsible: Steven Knepler
Title: Supervisor Accounting Department
Business Address: Illinois Commerce Commission
527 East Capitol Avenue
Springfield, IL 62701

ComEd 6.05 Regarding the testimony of Mr. Knepler at Staff Ex. 2.0, 6:105-107, Mr. Knepler states "In order to achieve administrative efficiencies, I propose that the uncollectible expenses be removed from this and all future formula rate filings and that the expense recovery and the related issues be addressed in Rider UF".

- (a) Does Mr. Knepler agree that in the reconciliation proceedings for 2011 and 2012, that the actual uncollectible expense included in the revenue requirements in effect during those years should be excluded from the reconciliation and Return on Equity collar calculations. If the answer is anything other than an unqualified "yes", please explain.
- (b) Please explain the term "related issues" as used in the section referenced above.
- (c) Does Mr. Knepler believe that the recovery of the costs of the accumulated deferred income taxes associated with bad debt should be included in Rider UF? If not, please explain where there costs should be recovered.

Response (a): Mr. Knepler agrees that the actual uncollectible expense excluded from the formula rate revenue requirements should be excluded from the formula rate reconciliation, and should be included in the uncollectible reconciliation proceedings for 2011 and 2012.

Mr. Knepler did not address the calculation of the Return on Equity collar in his testimony and is not familiar as to how it should be calculated.

Response to ComEd's
Sixth Set of Data Requests to Staff
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ICC Person Responsible: Steven Knepler
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527 East Capitol Avenue
Springfield, IL 62701

Response (b): "Related issues," as used in Mr. Knepler's testimony, indicates that Staff is open to the possibility of addressing the Uncollectible Expense Performance Metrics as required by Section 16-108(5)(f)(8) during the annual reconciliation of Rider UF.

Response (c): Rider UF only provides for the recovery of uncollectible expense as recorded in Account 904 of the FERC Form 1 or uncollectible expense determined under the net write-off method. (Distribution Uncollectible Expense is defined in Rider UF at ILL.C.C. No. 10, 3rd Revised Sheet No. 267.5 (Canceling 2nd Revised Sheet No. 267.5))

Deferred taxes related to uncollectible expense would need to be recognized in the formula filing unless the Commission approved a change to Rider UF. However, considering the impact of deferred taxes associated with uncollectible costs in Rider UF would complicate the annual reconciliation of Rider UF.